

Texas State Affordable Housing Corporation

Palladium Midland

2300 South Lamesa Rd, Midland, Texas and 79701

Owner: THF Palladium Midland, Ltd.

Date Built: 2016

Management Company: Omnium Property Management Co.

Property Manager: Courtney Vines

Inspection Date & Time: December 28, 2023 @ 9:00 a.m.

Inspector's Name: Mercedes Dunmore

Occupancy at Time of Report:	96.21%	Average Occupancy Over Last 12 Months:	82.75%
Number of Units: 264			
Number of One Bedrooms:	84	Number of Two Bedrooms:	120
Number of Three Bedrooms:	60	Number of Four Bedrooms:	N/A

PHYSICAL INSPECTION	YES	NO	N/A
1) Are the access gates in operable condition?	X		
2) Is the community monument sign in acceptable condition?	X		
3) Is the perimeter fence surrounding the property in acceptable condition?	X		
4) Are the grounds and landscaping in acceptable condition?	X – see comment		
5) Are trees and shrubs properly trimmed?	X		
6) Are the grounds free of erosion, foot paths and tree root elevation?	X		
7) Are sidewalks clean and in good repair?	X		
8) Are parking lots clean, in good repair with handicap parking spaces clearly marked?		X – see comment	
9) Are all recreational, common areas and amenity areas clean, maintained, and accessible?	X		
10) Is facility equipment operable and in acceptable condition?	X		
11) Is the area around the waste receptacles clean and are the enclosures in good repair?	X		
12) Is the exterior of the buildings in acceptable condition?	X		
14) Are hallways/breezeways clean and maintained?	X		
15) Are storage/maintenance areas clean, maintained and organized?	X		
16) Are building foundations in good repair?	X		
17) Are the gutters, downspouts, and fascia boards on the buildings in good repair?	X		
18) Do the building roofs appear to be in good condition?	X		
19) Do balconies and upper-level walkways appear to be in good condition?	X		
20) Do windows, blinds, doors, and trim appear to be in good condition?	X		
21) Is Management addressing all health, fire, or safety concerns on the property?	X		
22) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?	X		

COMMENTS: This year's review was conducted virtually. The exterior of the laundry room and the parking lot needs pressure washing. The parking lot stripping is starting to fade, management is advised to repaint as needed. Several potholes were noted in the parking lot, management stated they have obtained bids to repair the parking lot in the first quarter of 2024. Additionally, it was noted that the landscaping includes tiny rocks that are often scattered along the sidewalks and the parking lot which causes a mess and presents trip hazards. Management stated the maintenance staff monitors the rocks daily. Management is encouraged to look for alternative landscaping to assist with time management and use of the maintenance team. Lastly, there was a buildup of leaves in front of a few garages that need to be cleaned up. Management stated their landscapers are onsite weekly and had not visited the property prior to taking the photos for review.

SECURITY PROGRAM Part I		
1) After review of the prior 3 months of police reports, the following incidents were noted and includes the number of times incidents occurred:		
Incident Type	# of Occurrences	Comments:
Burglary		
Theft	2	Stole Vehicle
Criminal Mischief		
Personal Assault		

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Drug Related Activity		
Gun Related Activity		
Domestic Violence	2	Family Violence
Disturbance	1	
Other	1	Loud Noise

	YES	NO	N/A
2) Does the property utilize a crime prevention agreement?	X		
3) Does the property take pro-active measures to address crime on property? If so, add comment	X		
4) Are light checks conducted by management staff on a weekly basis? If not, add comment.	X		

COMMENTS: The Midland Police Department Communication log for October 2023 lists 35 calls; 6 of which are identified in the chart above. The courtesy officer continues to walk the property and provides management with daily updates.

Observation:

- Management provided TSAHC with the incorrect year for the Midland Police Department call logs. Page one did reflect the October 2023 calls, as noted above. Management is advised to ensure accurate reports are submitted moving forward to ensure proper review of the property.

SECURITY PROGRAM Part II	YES	NO	N/A
1) Is the Staff trained to address crime on the property?	X		
2) Is the property free of graffiti and/or vandalism?	X		
3) Are criminal background checks being conducted on all residents over 18 years of age?	X		
4) Are criminal background checks being conducted on residents as they age to be 18 while living in the unit?	X		
5) Has a risk assessment been conducted to determine risk liabilities at the property? If yes, when?	x		

COMMENTS: The Regional Manager conducts a monthly risk assessment. The most recent assessment was conducted in November 2023.

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?	X		
2) Are accurate office hours posted?	X		
3) Are emergency phone numbers posted?	X		
4) Are the EHO logos clearly posted?	X		
5) Are the following displayed in full view in the leasing office?			
➤ Fair Housing Poster	X		
➤ Occupancy Qualifications	X		
6) Is there a compliance department that ensures the set aside and eligibility requirements are being maintained?	X		
7) Does the property require licenses or permits?	X		
➤ (Pool and Backflow, Fire Alarm, Fire Sprinklers)			
8) Are property licenses and permits renewed as required?	X		
9) Are vendor insurance records/binders properly maintained?	X		
10) Are vendors properly screened to ensure proper insurance documents are being maintained?	X		
11) Which of the following community amenities are provided for resident use?			
➤ Playground	X		
➤ Community Room	X		
➤ BBQ/Picnic Area	X		
➤ Laundry Facility	X		
➤ Business Center	X		
➤ Pool	X		
➤ Other: Conference room, gym, and children's playroom and a basketball court.	X		

COMMENTS:

KEY CONTROL	YES	NO	N/A
1) Does the property use an electronic key tracking system? If not, answer questions 2-5.	X		

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2) Are all property keys properly coded?			X
3) Is key box locked and secured?			X
4) Is the key code list kept separate from the key box?			X
5) Are locks being changed during unit turnovers?	X		
COMMENTS:			

MAINTENANCE PROGRAM		YES	NO	N/A
1) Does the property have a preventative maintenance program that is being followed?		X		
2) Is the maintenance shop clean and organized?		X		
3) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?		X		
4) How often are Pest Control services provided? ➢ Pest control services are provided every two weeks for call backs and any additional units that request services. Roughly four buildings are serviced per visit.				
5) What is the policy for following up on completed service requests? ➢ Site staff picks 50% - 100% of completed requests to follow up on and ensure completion.				
6) What is the property's after-hours emergency policy? ➢ The after-hours answering service will first contact on-call staff. On-call staff member have 15 - 30 mins to respond to the tenant.				
7) What capital improvements have been scheduled or completed for this budget year? ➢ Concrete repaving and repairs are scheduled for early 2024. ➢ Landscaping upgrades to flower beds have been and will continue to be completed throughout the year.				
Detail of Ongoing Repairs and Replacements Completed in Last Budget Year				
8) Unit Interior and Appliance upgrades ➢ During unit turns appliances were repaired and replaced as needed.				
9) Building Exterior and Curb Appeal repairs ➢ Landscaping irrigation issues.				
10) Amenity upgrades ➢ Pool furniture replaced, and the parking lot and basketball court were restriped.				
11) Other repairs or replacements ➢ Flooring replacements with turns to upgrade with vinyl flooring.				
Number of service requests received:	81			
Number of requests open from prior periods:	122			
Number of service requests completed:	203			
Number of service requests completed within 24 hours:	6			
Number of outstanding service requests:	17			
12) On average, how many days does it take to complete a work order? ➢ See Observation below.				
COMMENTS: According to management, work orders have not been completed in time due to maintenance staff turnover resulting in hiring third-party companies to contract services.				
Observation:				
<ul style="list-style-type: none"> It is evident management completed a mass of work orders on 12/13/23 and 12/14/23 making it difficult to accurately determine the average number of days it takes to complete a work order and the efficiency of the maintenance staff. Resident retention/satisfaction is often strongly related to the maintenance program. Management is strongly encouraged to utilize the software system in place to help track the time it takes to close work orders. This will be reviewed during next year's Review. 				

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth	\$0	-	-
Resident Referral (Current/Prior)	\$500	1	1
Locator Service	\$0	-	-
Printed/Internet Advertising: Apt.com, Zumper, and Rent.com	\$1,610	23	10
Other Source	\$0	-	-

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TOTAL	\$2,110	24	11
The rental activity reflected in the above table was for the month of: 11/28/2023 through 12/28/2023			
	YES	NO	N/A
2) Is the property doing bilingual advertising?	X		
3) Does the property have any competitors nearby?	X		
4) Does the property "shop" their competitors?	X		
5) Does the property complete a market survey at least monthly?	X		
COMMENTS:			

LEASE RENEWAL	YES	NO	N/A
1) Does it appear that an effective lease renewal program is in place? If no, please comment below.		X – see comment	
2) What percentage of residents renewed last month, past 6 months, and past 12 months?	Current: 8%	6 months: 34%	12 months: 37%
3) What percentage of move-outs in the last 12 months were due to eviction for non-payment of rent or "skip"?	22%		
4) Are lease renewal notices sent to residents at the 120-day, 90-day, 60-day and 30-day timeframes prior the end of the lease contract? If not, comment below.	X		
5) Are rent increase notices sent to residents at least 30-days prior to the rent increase implementation?	X		
6) Are individual files being reviewed to determine renewal/non-renewal status?	X		
7) Are renewals and re-certifications tracked and monitored with property management software? I.e., Yardi, Onsite, or Owner/Agent created software?	X		
8) When was the last rent increase implemented? What was the average rent increase? ➤ The last rent increase of \$50 was implemented in June 2023.			
9) How many households are currently on month-to-month leases? ➤ There are currently no month-to-month leases.			
10) What is the charge for month-to-month leases? ➤ There is a month-to-month fee of \$150.			
COMMENTS: There was a 3% decrease in the number of move-outs for nonpayment of rent and skips. Management stated payment plans have been offered to delinquent tenants however, when the tenant breaks the terms of the payment plan evictions were filed and tenants were evicted. The courtesy officer has assisted with issuing the lease violations for nonpayment of rent. Additionally, management confirms payment plans were effective for some tenants therefore they will continue to offer this option, as needed. Lastly, management advised the rents were extremely low to help with occupancy and once the occupancy reached 93% (around October 2023) management began increasing rents gradually to the maximum rent possible.			
Observation: <ul style="list-style-type: none"> The current and annual resident retention has dramatically decreased compared to the 2023 Asset Oversight report. Management stated they believe it is due to the recent management changes and the enforcing of the delinquency policy. It is imperative that the resident retention be regularly monitored and tracked. TSAHC recommends management create a plan of action to determine the leading causes and create ways improve retention. 			

VACANT/MAKE READY UNITS	
1) Number of vacant units at time of activity report:	17
2) Number of completed made ready units at time of activity report:	5
3) Number of completed one-bedroom units at time of activity report:	2
4) Number of completed two-bedroom units at time of activity report:	2
5) Number of completed three-bedroom units at time of activity report:	1
6) Number of uncompleted made ready units at time of activity report:	12
7) Number of uncompleted one-bedroom units at time of activity report:	4
8) Number of uncompleted two-bedroom units at time of activity report:	7
9) Number of uncompleted three-bedroom units at time of activity report:	1
Units Walked	
Unit #	Brief Description
234	2x2 - See finding below.
526	1x1 - Ready
1017	2x2 - Ready
1038	2x2 - Ready

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Down Units Walked (units vacant and unready for extended period and all down units)			
Unit #	Brief Description		
N/A			
		YES	NO
		N/A	
1)	Does the Unit Availability Report match the make ready board?	X	
2)	Are units being turned in a timely manner?		X – see comment
3)	Are there any down units?		X
4)	Are there vacant units that have been vacant for an extended period? If so, please comment below.	X	
5)	Is management utilizing property software (i.e., Yardi, Onesite, or an owner/agent created) to monitor the timely preparation of units? If not, comment.	X	
6)	How often are occupied units inspected? ➤ Occupied units are inspected: Quarterly.		
7)	How often are vacant units inspected? ➤ Vacant units are inspected: Weekly.		
8)	How many vacant units are in progress of being made ready? ➤ There are currently 12 units that are in the process of being made ready.		
9)	What is the company policy on the number of days to turn vacant units? ➤ The company policy is 5 – 7 days to turn a unit.		
COMMENTS:			
Observation:			
<ul style="list-style-type: none"> Management stated the company's policy to turn vacant units is 5 to 7 days. The Unit Availability Report shows there are currently 12 units that are vacant and not made ready. However, of the unit photos submitted for review, units 526 and 1017 appear to be ready. It appears management is either not updating the Unit Availability Report accurately or the company's policy for turning units is not being followed. TSAHC recommends management implement a Make Ready Plan that will help maintenance staff turn unit within the company policy timeframe or revise the policy. 			
Finding:			
<ul style="list-style-type: none"> Unit 234: Photos were not submitted for review. This unit has been vacant for 189 days. Management must provide TSAHC with photos of the unit to confirm the make ready status. If the unit is not made ready, it will be considered a Down Unit as it is not available for occupancy to the general public. Management must submit photos of this unit to TSAHC no later than 3/2/2024. 			

BUDGET MANAGEMENT					YES	NO	N/A
1) Are three bids solicited to obtain materials, supplies, and services?					X		
2) Have there been any large, unexpected repairs or purchases that have negatively affected the current budget? If so, comment below.					X – see comments		
3) Explain YTD variances of 10% of greater in the charet below.							
<u>Expense Items that Varied by 10% or Greater from the Budget for Year-to-Date Operations Ending</u>							
(Please note that a positive variance is under budget and a negative variance is over budget.)							
EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION		
Operating & Maintenance Expenses	192,343	126,540	(65,803)	(52%)	Make ready general, counter repairs, tub resurfacing		
Maintenance & Repairs	164,938	117,842	(47,095)	(39.96)	Interior Carpentry, Appliance Repairs, Drywall Prep and repair		
Marketing Expenses	34,650	29,759	(4,891)	(16.43)	Training and Education, Activities Coordinator, Marketing Other, Apartment Locator, Coffee Bar		
Administrative Expense	146,665	108,86	(38,479)	(35.56)	Employment Recruiting, Bank Charges, Eviction Cost		
Cap Expenses	125,183	152,778	27,595	18.06	Roof, Pool, Floor Tile, A/C units, Locks and Keys, and Appliances		
COMMENTS: Management mentioned staff and tenant turnover increased causing the administrative and marketing expense line items to be over budget. This includes recruiting efforts and travel expenses for hiring events. The operating & maintenance expense line items were over budget due to the hiring of third-party vendors to complete make-readies and work orders. Management mentioned changes to some expenses will be made in next year's budget.							

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REVENUE			
FOR THE MONTH ENDING: 10/31/2023		YEAR TO DATE AS OF: 10/31/2023	
Gross Potential	\$324,341	Gross Potential	\$3,226,875
Budgeted Rental Income	\$309,357	Budgeted Rental Income	\$3,081,088
Actual Rental Income Collected	\$341,697	Actual Rental Income Collected	\$3,347,265
Variance + (-)	\$32,340	Variance + (-)	\$266,177
Other Revenue	\$10,549	Other Revenue	\$96,372
Total Budgeted	\$294,565	Total Budgeted	\$2,366,162
Total Collected	\$274,338	Total Collected	\$2,692,025
Variance + (-)	\$20,227	Variance + (-)	(\$325,863)
COMMENTS:			

ACCOUNTS PAYABLE	YES	NO	N/A
1) Is the payable report up to date?	X		
2) Is the property in good standing with all vendors?	X		
3) Are invoices processed weekly?	X		
COMMENTS: This section of the report was completed with the Vendor Aging Report dated 11/30/2023.	0-30 Days:		\$54,872
	30-60 Days:		\$2,115
	60 Days and Over:		\$338
	TOTAL		\$57,324

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?	X		
2) What is the rent collection policy?			
➤ Rent is due on the 1 st late on the 4 th . An initial late fee of \$25 is applied followed by a daily fee of \$5 for up to 15 days.			
3) When is legal action taken against delinquent accounts?			
➤ Legal action is taken by the 16 th unless there is a payment agreement implemented or an eviction hold off is submitted.			
4) Does the property currently have any resident(s) under eviction?	X		
5) Does Housing have any outstanding balances?	X		
COMMENTS: This section was completed with the Delinquent and Prepaid dated 12/14/2023. Management advised there are currently three tenants under evictions with court dates pending for January 2024, and said the outstanding Housing balances are set to be corrected and paid in January 2024. Additionally, management stated payment arrangements are created on a case-by-case basis where the agreement is determined based on the tenant's pay periods. Management stated the full delinquent balance must be paid by the end of the month and can't be rolled over until the next month.	0-30 Days:		\$5,495
	30-60 Days:		\$4,652
	60 Days and Over:		\$1,688
	TOTAL		\$11,835

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:		2	
2) Has the manager collected and deposited all returned checks?	X		
3) Is the manager following company policy on returned checks?	X		
COMMENTS:			

PERSONNEL	YES	NO	N/A
1) Does owner/agent have a system/procedure for providing field supervision of on-site personnel?	X		
2) Does the property appear to be adequately staffed?	X		
3) Is overtime being controlled?	X		
4) Were requested pre-audit reports submitted on time?	X		
5) Does it appear that personnel are team oriented?	X		

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6) Was management staff prepared for the site visit?	X		
7) Has staff turnover occurred since the last site review?	X		
8) Are weekly staff meetings held?	X		
9) Have personnel been trained in Fair Housing?	X		
10) List training staff has received in the past year. ➤ Management attended Real Page, Fair Housing, TDHCA income determination, and HOTMA Trainings.			

COMMENTS: According to management, every position at the site level experienced churn. Positions were refilled in the following order: community manager in February 2023, assistant manager in May 2023, assistant maintenance in August 2023, lead maintenance in October 2023, and a leasing consultant in December 2023. The groundskeeper position has remained vacant since November 2023. Management is actively looking to fill the position. These actions reflect management's commitment to operational effectiveness and staffing optimization. Weekly conference calls between the site manager and regional manager take place to assist with field supervision.

OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to the software system utilized to manage the property?	X		
2) Is site management required to submit weekly reports to the owner?	X		
3) Are the funds for needed capital improvement items, turning of units, and marketing campaigns released by the owner according to what has been budgeted?	X		
4) What is the dollar amount of an unbudgeted or over budget expense that requires owner approval for the release of funds? ➤ Per management, ownership approval is required for any amount exceeding \$1,500.			

COMMENTS:

SUMMARY OF OBSERVATIONS AND FINDINGS

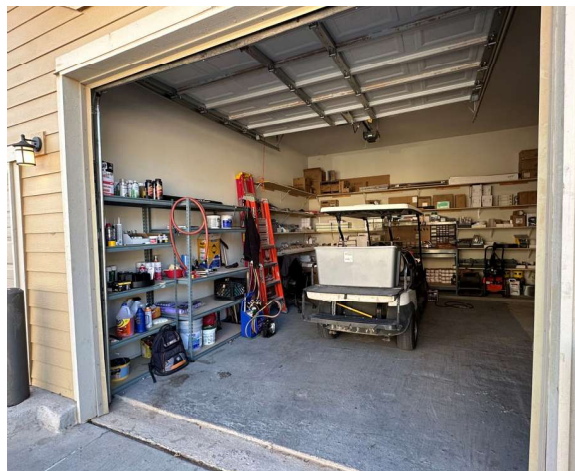
Observations:

- Management provided TSAHC with the incorrect year for the Midland Police Department call logs. Page one did reflect the October 2023 calls, as noted above. Management is advised to ensure accurate reports are submitted moving forward to ensure proper review of the property.
- It is evident management completed a mass of work orders on 12/13/23 and 12/14/23 making it difficult to accurately determine the average number of days it takes to complete a work order and the efficiency of the maintenance staff. Resident retention/satisfaction is often strongly related to the maintenance program. Management is strongly encouraged to utilize the software system in place to help track the time it takes to close work orders. This will be reviewed during next year's Review.
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Finding:

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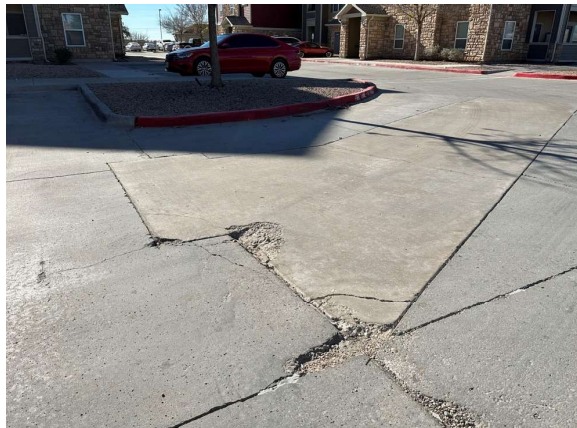
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